

Message Text

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ACTION ARA-14

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PRS-01 EB-07 DHA-02 EUR-12 /070 W
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TO SECSTATE WASHDC 5778

S E C R E T SECTION 1 OF 2 SANTIAGO 6021

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EO 11652: GDS
TAGS: PDIP, SHUM, PGOV, MASS, EAID, US, CI
SUBJ: TODMAN VISIT: PROJECTED SITUATION AND ISSUES IN CHILE

REFS: (A) STATE 169054 (B) SANTIAGO 5987

1. SUMMARY: THIS MESSAGE SETS THE STAGE FOR THE SITUATION
AND ISSUES LIKELY TO CONFRONT SECRETARY TODMAN IN SANTIAGO.
END SUMMARY.

2. THE SITUATION -- ECONOMY SOUND; CHANGES IN THE INTERNAL
SECURITY FIELD TAKING SHAPE; "NEW INSTITUTIONALISM" CAUSING
POLITICAL FLUIDITY.

-- ECONOMIC RECOVER PROCEEDING, FOREIGN INVESTMENT CON-
TINUING. WE SEE NOTHING ON THE HORIZON IN THE SHORT-RUN
WHICH IS LIKELY TO CHANGE RECENT ECONOMIC TRENDS: INFLATION IS
ALMOST DOWN TO ACCEPTABLE LEVELS (3-4 PERCENT PER MONTH) AND,
SO FAR AT LEAST, THE GOC HAS A BALANCE OF PAYMENTS SURPLUS
DESPITE LOW COPPER PRICES, HEAVY INTERNATIONAL DEBT PAYMENTS AND
INCREASING IMPORTS. INTERNATIONAL BANKS FIND CHILE AN ATTRACTIVE
BORROWER. THE FIRST MAJOR COPPER MINING CONCESSION WITH A
US/CANADIAN GROUP HAS JUST BEEN SIGNED. UNEMPLOYMENT, REAL
WAGES AND OTHER SOCIAL INDICATIONS SHOW IMPROVEMENT (ALTHOUGH
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SOCIAL COSTS ARE STILL HIGH). THESE LONG AWAITED, POSITIVE
ECONOMIC SIGNS SHOULD GIVE THE GOC CONFIDENCE IT NEEDS TO MOVE
ON OTHER FRONTS.

-- DINA, EMERGENCY POWERS: SHOWING SIGNS OF RESTRAINT.
WE EXPECT PINOCHET TO KEEP DINA (NATIONAL INTELLIGENCE
DIRECTORATE) ON A FAIRLY TIGHT LEASH -- AT LEAST UNTIL

AFTER THE AUGUST STREAM OF INTERNATIONAL VISITORS -- BUT THEY MAY CRACK DOWN BEFORE THE FOURTH ANNIVERSARY OF THE COUP ON SEPTEMBER 11. NEVERTHELESS WE ARE HOPEFUL THAT PINOCHET WILL TAKE HIS FIRST MOVES TO BREAK THE POWER OF DINA BY MID-SEPTEMBER. HE AND HIS ADVISORS WILL BE DRAFTING THE IMPLEMENTING REGULATIONS WHICH WILL PERMIT HIM TO PUT INTO EFFECT THE STATE OF EMERGENCY AGAINST SUBVERSION SKETCHED OUT IN CONSTITUTIONAL ACT NO. 4 OF SEPTEMBER 1976. THIS WILL ALLOW HIM TO END THE "STATE OF SIEGE" ON SEPTEMBER 11. WHILE STILL PROVIDING SECURITY FORCES PLENTY OF AUTHORITY TO CONTROL SUBVERSION AND DISSENT EVEN A PARTIAL CUTBACK OF DINA AND THE IMPOSITION OF A NEW (AND PRESUMABLY LESSER) EMERGENCY REGIME WOULD BE SIGNIFICANT.

-- POLITICAL SCENE RIPPLING. PINOCHET'S LEGERDEMAIN IN DIRECTING ATTENTION TOWARD CHILE'S FUTURE INSTITUTIONAL EVOLUTION, WHICH WILL STILL BE ATTRACTING PUBLIC ATTENTION, WILL NOT DIVERT HIS COLLEAGUES ON THE JUNTA FROM WATCHING CLOSELY HOW THE PRESIDENT PROPOSES TO DISTRIBUTE EXECUTIVE, LEGISLATIVE AND CONSTITUENT POWERS IN THE WEEKS AHEAD. PINOCHET HAS A DEADLINE, IMPOSED BY ANOTHER OF LAST SEPTEMBER'S CONSTITUTIONAL ACTS, TO "GET IT TOGETHER" BY SEPTEMBER 18. HE WANTS THE CONSOLIDATION ACTS DEFINING THIS EXECUTIVE-LEGISLATIVE POWER DIVISION TO INCLUDE NEW EXECUTIVE POWERS FOR HIMSELF. HIS JUNTA HOHOTS REPRESENTING THE OTHER SERVICES ARE STILL BALKING. PINOCHET'S TRANSITIONAL PLAN AIMED AT REASSURING THEM OF
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A SIGNIFICANT ROLE IN THE FUTURE, BUT THE JUNTA WILL BE LOOKING CLOSELY AT THE GUIDANCE PINOCHET HAS PROMISED TO GIVE THE CONSTITUTIONAL COMMITTEE REGARDING THE CONSOLIDATION ACTS.

THE COMBINATION OF A MORE OUTSPOKEN CITIZENRY FILLED WITH RISING ASPIRATIONS AND DEBATING THE TRANSITION, AND A MILITARY CONCERNED ABOUT SHORT RUN POWER CONSIDERATIONS SHOULD LEAD TO THE SPICIEST POLITICAL AMBIENCE SINCE THE COUP. ANTICIPATION OF THE SEPTEMBER 11 SPEECH WILL ADD A SENSE OF IMMEDIACY TO THE AIR. AND ALWAYS HOVERING IN THE BACKGROUND ARE SOUTHERN CONE POLITICS -- CHILE'S HOPES FOR CONE SOLIDARITY HAVE NOT BORNE FRUIT.

3. ISSUES: THE GOC (AND ANYONE WHO READ THE NEWS ACCOUNTS OF SECRETARY VANCE'S GRENADA MEETING WITH FOREIGN MINISTER CARVAJAL) UNDERSTANDS WHAT THE USG IS PRESSING FOR: A CLUSTER OF INSTITUTIONAL CHANGES DESIGNED TO DETER ABUSE OF BASIC HUMAN RIGHTS. WE HAVE A GOOD IDEA WHAT THE GOC WANTS FROM US: ACCESS TO COMMERCIAL ARMS SALES AND PUBLIC RECOGNITION FOR PROGRESS ECONOMICALLY AND POLITICALLY AS WELL AS IN THE BASIC RIGHTS FIELD.

FOR THE FIRST TIME IN SEVERAL YEARS WE SEE A COMFORTABLE
MIDDLE GROUND. WE THINK WE AT LEAST HAVE MOMENTUM ON
OUR SIDE. YOUR VISIT IS WELL TIMED TO ADD "OUR GRAIN OF
SAND" TO THIS MOMENTUM.

4. WE RECOMMEND YOU ASSUME THE FOLLOWING POSITIONS WITH
GOC OFFICIALS:

-- WE HAVE BEEN GIVEN TO BELIEVE THAT THE GOC ALREADY
HAS PLANNED MEASURES THAT COINCIDENTALLY TOUCH UPON OUR
PRIMARY CONCERNS IN THE HUMAN RIGHTS FIELD, AND WE WILL
BE PREPARED TO WELCOME THEM APPROPRIATELY IF AND AS THE
GOC MAKES THEM PUBLIC. MEANWHILE, WE HAVE BEEN FAVORABLY
IMPRESSED WITH GOC'S DECISION TO MAKE PUBLIC PROPOSED
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DATES AND STEPS FOR THE TRANSITION FROM EMERGENCY RULE.
WE CONSIDER THE MECHANICS OF THIS PROCESS VERY MUCH A
MATTER FOR CHILEANS TO DECIDE AND WILL CONTINUE TO REFRAIN
FROM COMMENTING ON SPECIFICS.

-- WE THINK THAT THE GOC HANDLED THE ECLA SIT IN WITH
ADMIRABLE STATESMANSHIP AND WE UNDERSTAND THE DIFFICULT
SITUATION REGARDING THE PROBLEM OF DISAPPEARED PERSONS.

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CANDIDLY, WE DO NOT SEE ANY RESOLUTION OF THE OVERALL

PROBLEM WHICH WILL BE SATISFACTORY TO THE DIFFERENT PARTIES. WE DO NOT THINK THAT THE PROBLEM WILL GO AWAY AND CAN ONLY SUGGEST THAT ITS CONTINUED EXISTENCE MAKES OFFSETTING PROGRESS IN OTHER AREAS MORE DESIRABLE.

-- WE HAVE NOTED FAVORABLY THE PUBLIC AIRING OF CERTAIN INTERNAL SECURITY CASES, E.G. THE VELOSO CASE (SANTIAGO 5414), BUT THE EVENTS AS REPORTED CAN ONLY REINFORCE THE CONCERNS EXPRESSED BY SECRETARY VANCE TO THE FOREIGN MINISTER.

-- WE HAVE ALSO OBSERVED A MARKED IMPROVEMENT IN THE CHILEAN ECONOMY DURING THE LAST YEAR AND HAVE BEEN FOLLOWING THE GOC'S EFFORTS TO ENSURE THAT THE BENEFITS OF THE RECOVERY ARE EQUITABLY SHARED.

S -- IN CONNECTION WITH THE TYPE US REACTION WHICH MIGHT BE EXPECTED SHOULD EVENTS PROCEED AS WE HOPE, THE GOC SHOULD KNOW THAT WE WOULD BE PREPARED, INTER ALIA, TO INAUGURATE OPIC PROGRAMS BY EARLY 1978.

5. WE RECOMMEND THE FOLLOWING POSITION WITH CRITICS OF THE GOC:

-- WE BELIEVE THAT THE GOC HAS MADE PROGRESS IN SOME
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AREAS OF BASIC HUMAN RIGHTS OBSERVANCE AND OPENED THE DOOR IN OTHER AREAS. OUR OWN SENSE OF FAIR PLAY REQUIRED US TO MAKE APPROPRIATE RESPONSES TO SUCH MEASURES, BUT MORE IMPORTANTLY WE BELIEVE THAT OUR ACTIONS CAN PROVIDE INCENTIVES FOR FURTHER PROGRESS.

-- WE HAVE NO PRESCRIPTION FOR CHILE'S POLITICAL FUTURE; WE WILL NOT INTERVENE IN THE TRANSITION PROCESS BEYOND EXPRESSING THE HOPE THAT IT PROCEED AS RAPIDLY AS FEASIBLE. WE BELIEVE THAT ONCE CHILEANS ENJOY EFFECTIVE PROTECTION OF THEIR BASIC RIGHTS, THEY MUST SHOULDER THE RESPONSIBILITY FOR DETERMINING THEIR POLITICAL, SOCIAL AND ECONOMIC STRUCTURE. NONETHELESS, WE WILL BE FOLLOWING THE SITUATION CLOSELY.

6. GOC OFFICIALS (CERTAINLY DEFENSE MINISTER BRADY) WILL RAISE WITH YOU THE BOLIVIAN CORRIDOR ("CHILE HAS BEEN FORTHCOMING") AND SOVIET ARMS FOR PERU ("OMINOUS") LEADING TO A FEW WORDS ON THE US ARMS EMBARGO AGAINST CHILE ("AS UNWISE AS IT IS INEXPLICABLE"). THE CORRIDOR ISSUE HAS BEEN OFF THE FRONT PAGES RECENTLY, BUT THE PERUVIANS MAY HAVE SHOWN SOME FLEXIBILITY, AND INFORMAL TALKS INVOLVING VARIOUS BILATERAL COMBINATIONS OF THE THREE PARTIES APPARENTLY HAVE TAKEN PLACE. MOST OBSERVERS VIEW PERU'S ECONOMIC TROUBLES AS REDUCING CHANCES FOR CONFLICT. WE DO NOT THINK THE GOC EXPECTS A BREAKTHROUGH

ON ARMS POLICY FROM YOUR VISIT. WE SUGGEST YOU HANDLE THIS TOPIC STATING:

-- WE ARE PLEASED WITH THE GOC'S GENERALLY FORTHCOMING POSITION REGARDING THE COMPLEX AND LONGSTANDING BOLIVIAN CORRIDOR ISSUE; AND WE HAVE EXPRESSED OUR CONCERN OVER LARGE PERUVIAN ARMS ACQUISITIONS FROM THE SOVIETS AND OTHERS. WE HAVE A CONTINUING INTEREST IN AVOIDING ARMED CONFLICT IN THE SECRET

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HEMISPHERE AND HAVE SOUGHT TO BE HELPFUL BY SEEKING TO CLARIFY MISPERCEPTIONS OF THE VARIOUS PARTIES DURING PERIODS OF TENSION.

7. THE TEMPTATION TO PLAY TO A WIDER AUDIENCE WILL BE GREAT. BUT CHILEANS ARE HYPERNATIONALISTS AND THERE ARE INTERESTS ON BOTH EXTREMES WHICH WILL BE LOOKING FOR WAYS TO PORTRAY YOUR VISIT AS INTERVENTION. WE THINK THE BEST INVESTMENT OF YOUR LIMITED TIME HERE IS IN TETE-A-TETES AND THAT IS THE CORE OF OUR PROPOSED SCHEDULE (REF B). MEANWHILE, WE ARE PREPARING SOME SUGGESTED LOCAL PRESS GUIDANCE FOR THE INEVITABLE CONTACTS WITH THE MEDIA.

8. TO SUM UP, YOUR VISIT COMES AT A TIME WHEN WE HAVE BEGUN TO SEE ENCOURAGING MOVEMENT AND WHEN ADDITIONAL DECISIONS ARE STILL IN FORMATIVE STAGES. WE THINK THE RECOMMENDED COMBINATION OF POSITIVE REINFORCEMENT AND DISCREET BUT FOCUSED PRESSURE TOWARD SPICIFIC IMPROVEMENTS HOLDS THE BEST CHANCE FOR MAINTAINING AND CHANNELLING THE CURRENT MOMENTUM.

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